

Africa's Absence in the Megaregionals

Something to worry about or much ado about nothing?

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Global international economic relations have been constantly evolving since the 1994 institutionalization of the GATT. The majority of African countries signed into the World Trade Organization in 1994, whether because of a desire to join the multilateral trading system, or as a condition of loans from the IMF and World Bank during the heyday of the Washington Consensus. The multilateral trading system has been quite efficient in mitigating the hitherto asymmetrical bilateral trade relations between developed and developing countries. However, it also compelled countries that had not

undergone significant industrialization and did not have competitive exports to open their markets. Megaregionals present African countries with the danger to be rule takers once again. This essay will interrogate the changing dynamics that the new megaregional trade agreements bring for Africa's global trade relations.

Political Economy of Megaregionals: An African Perspective

Before locating African countries in the megaregionals it is important to map out the political economy of megaregionals. "Megaregional agreements" in this essay refer to the Trans Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP). The US and EU shifted to regionalism despite their prior strong support of multilateralism and the WTO arguably because they grew frustrated with the lack of progress within the Doha Development Agenda (DDA), largely due to developing countries' more assertive posture. As a result, they resorted to regional trade agreements hoping to extract concessions they would not have gotten within the DDA. The US champions megaregionals in order to craft global trade rules for the future in the hope of bringing that new regime back into the WTO later on. On the other hand, the EU supports megaregionals, particularly the TTIP, with a more legitimate agenda of harmonizing standards. Another compelling explanation for US support of megaregionals has been that these agreements facilitate trade relations with China's partners while excluding the Asian giant itself. African countries' engagement with megaregionals should be understood within the broader political economy of these agreements.

African countries must respond to megaregionals, either at a domestic economic level through integrating into regional value chains, and/or at a geopolitical level through forming strategic alliances, which ensure that their aspirations are captured outside of the megaregionals. A country that is more industrialised like South Africa could even make efforts in formally joining or being an observer. This response is paramount because should these agreements be ratified, these countries will be rule-takers. Usually rule taking is accompanied by a hastened liberalization and adherence to standards, which are quite onerous.

Effects of Megaregionals on Africa

Megaregionals are bound to result in trade diversion from African economies, especially the textiles sector. The Rules of origin will necessitate that African countries compete for US markets with other parties to the megaregionals. Considering these countries have just entered into reciprocal agreements with the EU, adjusting to two commitment regimes will be detrimental to African economies because of the depth of commitments and variant rules of origins. The megaregionals' conclusion exerts pressure on African countries to hasten the liberalization of trade in services including extremely sensitive government procurement. African countries are also missing an opportunity to contribute to the much contested policy space that governments are carving out in the investment chapter in the TPP. South Africa, for instance, due to apartheid-induced economic disparities and the need for policy space to address such inequalities, has been quite critical of the current international investment regime, and its voice would have been critical in these discourses. Over and above, the successful conclusion of megaregionals will shift investment

from Africa to Asia, which might also delay the industrialization of the continent due to competitiveness constraints, and ultimately lock the continent into perpetually exporting raw commodities.

Africa as a continent has not actively responded to megaregionals. Instead, Africa has mostly focused on infrastructure development, industrialization and improving intra-continental trade. The continent has placed too much focus on the DDA as was evident at the Nairobi Ministerial in 2015. South Africa, as the continent's leader, may be best positioned to articulate Africa's position with regards to the megaregionals. However, South Africa itself is not convinced by the global value chain narrative, which it argues is another form of neo-liberalism, with its emphasis on developed country lead firms. South Africa, therefore, has been quite critical of megaregionals instead of emphasizing the need for the creation of regional value chains (see for example Ambassador Faizel Ismail's position [here](#)). This linkage between megaregionals and global value chains being that the former seek to create rules that will regulate and entrench regional and global value chains. Africa with its lack of industrialization and therefore the consequent absence of the continent's integration into global value chains, makes it a natural reluctant megaregionalist. It is against this backdrop that South Africa echoes the continent's voice by stressing the primacy of multilateralism as institutionalized within the WTO. It is not clear if Africa's negotiation of the Tri-partite Free Trade Area and the ambitious Continental Free Trade Area is motivated by the megaregionals and could therefore be the continent's own version of such agreements.

Quo Vadis

What is clear is that African countries are not engaged with megaregionals, as they do not seem to regard megaregionals as relevant to their international economic relations. South Africa, which should be leading the debate the way the US, Germany and Japan are leading in their respective regions, has a pessimistic view of global value chains which underlie the need for megaregionals. African countries are advised to engage with megaregionals so as not to be found wanting when these agreements start to affect their international trade relations. Witney Schneidman couldn't have said it better when he asserted thus: "Having a place at the table, however informal, while the TPP is being implemented and TTIP is negotiated, would help ensure that Africa does not become more isolated as it seeks to integrate regionally."

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This post is part of our "Megaregionals and the Others" symposium. Other posts in this series can be found [here](#).

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